

1 UNITED STATES BANKRUPTCY COURT
2 NORTHERN DISTRICT OF CALIFORNIA
3 SAN FRANCISCO DIVISION

4 In re:

5 PG&E CORPORATION,

6 - and -

7 PACIFIC GAS AND ELECTRIC
8 COMPANY,

9 Debtors.

Bankruptcy Case

No. 19-30088 (DM)

Chapter 11

(Lead Case)

(Jointly Administered)

- 10 ☐ Affects PG&E Corporation
11 ☐ Affects Pacific Gas and Electric Company
12 ☒ Affects both Debtors

Objection Deadline: August 5, 2019 at
4:00p.m. (Prevailing Pacific Time)

13 * All papers shall be filed in the Lead Case,
No. 19-30088 (DM).

14 **FIRST INTERIM FEE APPLICATION OF KPMG LLP FOR COMPENSATION FOR SERVICES
15 RENDERED AND REIMBURSEMENT OF EXPENSES AS INFORMATION TECHNOLOGY, RISK,
16 AND LEGAL SUPPORT CONSULTANTS TO THE DEBTORS FOR
THE PERIOD FROM JANUARY 29, 2019 THROUGH MAY 31, 2019**

17 Name of Applicant: KPMG LLP
18 Authorized to Provide The above-captioned Debtors
19 Professional Services to:
20 Date of Retention: June 11, 2019 *nunc pro tunc* to
January 29, 2019
21 Period for which compensation and January 29, 2019 through May 31, 2019
22 reimbursement is sought:
23 Amount of Compensation sought as
actual, reasonable, and necessary: \$ 3,873,655.06
24 Amount of Expense Reimbursement sought
as actual, reasonable, and necessary: \$ 132,148.61
25 This is a(n): ☒ Interim ☐ interim ☐ final application
26 Prior Applications Filed: None
27
28

ATTACHMENT A TO FEE APPLICATION

Professional Person	Position & Department	Total Billed Hours	Hourly Billing Rate	Total Compensation
Adrian Irwin	Senior Associate - Advisory	151.8	\$ 325	\$ 49,335.00
Aldryn Estacio	Manager - Advisory	217.4	\$ 400	\$ 86,960.00
Allison Smith	Senior Associate - Advisory	9.5	\$ 325	\$ 3,087.50
Arun Mani	Principal - Advisory	55.1	\$ 500	\$ 27,550.00
Ben Neville	Manager - Advisory	5.0	\$ 400	\$ 2,000.00
Bhaskara Rama	Senior Specialist - Advisory	112.0	\$ 225	\$ 25,200.00
Brian Wei	Associate - Advisory	423.5	\$ 275	\$ 116,462.50
Cam Avent	Manager - Advisory	0.7	\$ 400	\$ 280.00
Carlo Toribio	Senior Associate - Advisory	72.0	\$ 325	\$ 23,400.00
Celeste Campbell	Manager - Bankruptcy	80.6	\$ 163	\$ 13,097.50
Cole Gallagher	Senior Associate - Advisory	149.3	\$ 325	\$ 48,522.50
Cy Whitten	Senior Associate - Advisory	321.1	\$ 325	\$ 104,357.50
Daniel Elmlad	Senior Associate - Advisory	246.9	\$ 325	\$ 80,242.50
Daniel Smith	Manager - Advisory	9.1	\$ 475	\$ 4,322.50
David Ross	Manager - Advisory	223.5	\$ 400	\$ 89,400.00
Dennis Cha	Associate - Advisory	298.4	\$ 275	\$ 82,060.00
Dennis Latto	Manager - Advisory	8.0	\$ 400	\$ 3,200.00
Eric Janes	Manager - Advisory	8.9	\$ 400	\$ 3,560.00
Gaurav Thapan-Raina	Manager - Advisory	34.0	\$ 400	\$ 13,600.00
Grace Choi	Associate - Advisory	9.5	\$ 275	\$ 2,612.50
Gustavo Garcia	Associate - Advisory	127.1	\$ 275	\$ 34,952.50
Jack Liacos	Associate - Advisory	120.7	\$ 275	\$ 33,192.50
Jason Miller	Senior Associate - Advisory	332.0	\$ 150	\$ 49,800.00
Jason Weng	Senior Associate - Advisory	349.9	\$ 325	\$ 113,717.50
Jeff Mahoney	Specialist Director - Analytics	11.5	\$ 435	\$ 5,002.50
Jessica Nell	Senior Associate - Advisory	17.5	\$ 325	\$ 5,687.50
Joel Sotikon	Associate - Advisory	88.0	\$ 275	\$ 24,200.00
Jonathan White	Managing Director- Advisory	258.2	\$ 475	\$ 122,645.00
Juan Gonzalez III	Partner - Advisory	14.0	\$ 500	\$ 7,000.00
Juanita Garza	Associate - Bankruptcy	149.5	\$ 138	\$ 20,556.25
Juliana McMillan-Wilhoit	Senior Associate - Advisory	84.7	\$ 325	\$ 27,527.50
Karson Ota	Associate - Advisory	0.7	\$ 275	\$ 192.50
Kirk-Patrick Caron	Manager - Advisory	267.2	\$ 400	\$ 106,880.00
Kyle McNamara	Director - Advisory	263.4	\$ 435	\$ 114,579.00
Lucy Cai	Associate - Advisory	340.1	\$ 275	\$ 93,527.50
Marcus Xu	Senior Associate - Advisory	220.0	\$ 325	\$ 71,500.00
Mark Ehrhardt	Director - Advisory	109.7	\$ 435	\$ 47,719.50
Mark Martin	Manager - Advisory	34.5	\$ 400	\$ 13,800.00
Matt Broida	Director - Advisory	251.8	\$ 435	\$ 109,533.00
Matthew Bowser	Senior Associate - Advisory	424.7	\$ 325	\$ 138,027.50
Matthew Rice	Lead Specialist (Manager) - Advisory	145.8	\$ 225	\$ 32,805.00
Monica Plangman	Associate Director - Bankruptcy	62.2	\$ 213	\$ 13,217.50
Nicole Redini	Manager - Advisory	201.0	\$ 400	\$ 80,400.00
Paul McGregor	Manager - Advisory	94.0	\$ 400	\$ 37,600.00
Penny Chan	Senior Associate - Advisory	7.4	\$ 375	\$ 2,756.25

ATTACHMENT A TO FEE APPLICATION

(CONTINUED)

Professional Person	Position & Department	Total Billed Hours	Hourly Billing Rate	Total Compensation
Phillip Prombo	Manager - Advisory	18.0	\$ 400	\$ 7,200.00
Preston Devaney	Associate - Advisory	60.6	\$ 275	\$ 16,665.00
Reid Tucker	Principal - Advisory	11.0	\$ 500	\$ 5,500.00
Rita Squalli Houssaini	Manager - Advisory	11.3	\$ 400	\$ 4,520.00
Rob Villegas	Senior Associate - Advisory	67.8	\$ 225	\$ 15,255.00
Rohit Nagdeo	Lead Specialist (Manager) - Advisory	137.0	\$ 225	\$ 30,825.00
Scott Stoddard	Director - Advisory	87.5	\$ 435	\$ 38,062.50
Shiva Reddy R	Senior Associate-KGS	50.0	\$ 220	\$ 11,000.00
Tia Mason	Senior Associate - Advisory	72.0	\$ 325	\$ 23,400.00
Tim Littman	Senior Associate - Advisory	190.9	\$ 325	\$ 62,042.50
Tom Schenk	Director - Advisory	55.4	\$ 435	\$ 24,099.00
Wendy Shaffer	Senior Associate - Bankruptcy	53.4	\$ 150	\$ 8,010.00
Yiwen Fu	Manager - Advisory	3.0	\$ 400	\$ 1,200.00
Subtotal Hours and Fees at Discounted Rates		7,229.8		\$ 2,333,848.00¹
Data Security Services (Fixed Fee)				\$ - ²
Legal Support Services - (non-hourly fees)				\$ 204,752.56 ³
Enterprise Project Management Tools Implementation Services (Fixed Fee)				\$ 1,338,444.00 ^{4 5}
Subtotal Fees				\$ 3,877,044.56
Less Voluntary Reduction				\$ (3,389.50) ⁶
Total Fees Requested				\$ 3,873,655.06
Out of Pocket Expenses				\$ 132,148.61
Total Fees and Out of Pocket Expenses				\$ 4,005,803.67
Blended Hourly Rate (excludes Fixed Fee Hours)			\$ 322.81	

¹ KPMG bills for services at discounted hourly billing rates as specified in the Retention Application dated May 21, 2019. During the Compensation Period, KPMG's standard rates for hourly services rendered totaled \$4,679,826.75. KPMG's services at the agreed upon discounted hourly rates result in a voluntary discount of fees in the amount of \$2,345,978.75 thus benefitting the Chapter 11 estate by same amount. This does not contemplate the benefit to the estate with respect to the savings related to fixed fee services.

² KPMG and the Debtors agreed to fixed-fee compensation for the Data Security Services. Payment of the fixed fee is dependent on an iterative process by which stages of the project go through a formal review, including a detailed walkthrough, modifications (if required) and formal acceptance. During the First Interim Compensation Period, KPMG did not request any of the agreed upon fixed-fee amount for these services. KPMG did provide 1,187.4 hours of service with respect to this project during the First Interim Compensation Period as detailed on Exhibit C2 of the filed monthly fee statements.

³ These fees represent the recurring monthly charges as detailed in Appendix C of the Legal Support Services Agreement and further detailed on Exhibit C3 of the filed monthly fee statements.

⁴ KPMG and the Debtors agreed to fixed-fee compensation for the Enterprise Project Management Tools Implementation Services. Payment of the fixed fee is dependent on an iterative process by which stages of the project go through a formal review, including a detailed walkthrough, modifications (if required) and formal acceptance. Formal acceptance of remaining deliverables related to this project was provided by the client on February 6, 2019.

⁵ KPMG has reduced the fixed fee amount by \$14,414 for a deliverable defined in the MSA Contract that was not completed by the project end date, and by a \$2,000 credit on the invoices paid prior to the Petition Date.

⁶ KPMG determined to take a voluntary reduction for time spent by a manager providing information to a successor manager as detailed on Exhibit C1 of the filed 2nd and 3rd monthly fee statements.

ATTACHMENT A TO FEE APPLICATION

(CONTINUED)

COMPENSATION BY PROJECT CATEGORY

Matter Number	Project Category	Total Hours Billed	Total Discounted Fees
1	Asset Management Services	6,068.3	\$ 2,112,569.00 ⁷
2	Data Security Services	-	\$ - ⁸
3	Legal Support Services	16.5	\$ 211,831.31 ⁹
4	IT Software Services (Phase 1)	462.6	\$ 104,085.00
5	Enterprise Project Management Tools Implementation Services	-	\$ 1,338,444.00 ^{10 11}
6	Risk Assessment Services	332.0	\$ 49,800.00
7	Retention Services	55.0	\$ 11,677.50
8	Fee Application Preparation Services	295.4	\$ 45,248.25
Total Discounted Fees		7,229.8	\$ 3,873,655.06

EXPENSE SUMMARY

Service Description	Amount
Airfare	\$ 45,232.80
Lodging	\$ 55,421.66
Meals	\$ 7,591.33
Ground Transportation	\$ 23,902.81
Miscellaneous	\$ -
Total	\$ 132,148.60

⁷ KPMG determined to take a voluntary reduction for time spent by a manager providing information to a successor manager as detailed on Exhibit C1 of the filed 2nd and 3rd monthly fee statements with respect to these services.

⁸ KPMG and the Debtors agreed to fixed-fee compensation for the Data Security Services. Payment of the fixed fee is dependent on an iterative process by which stages of the project go through a formal review, including a detailed walkthrough, modifications (if required) and formal acceptance. During the First Interim Compensation Period, KPMG did not request any of the agreed upon fixed-fee amount for these services. KPMG did provide 1,187.4 hours of service with respect to this project during the First Interim Compensation Period as detailed on Exhibit C2 of the filed monthly fee statements.

⁹ Fee amount is composed of hourly fees and recurring hosting fees.

¹⁰ KPMG and the Debtors agreed to fixed-fee compensation for the Enterprise Project Management Tools Implementation Services. Payment of the fixed fee is dependent on an iterative process by which stages of the project go through a formal review, including a detailed walkthrough, modifications (if required) and formal acceptance. Formal acceptance of remaining deliverables related to this project was provided by the client on February 6, 2019.

¹¹ KPMG has reduced the fixed fee amount by \$14,414 for a deliverable defined in the MSA Contract that was not completed by the project end date, and by a \$2,000 credit on the invoices paid prior to the Petition Date.

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14 **FIRST INTERIM FEE APPLICATION OF KPMG LLP FOR COMPENSATION FOR SERVICES
15 RENDERED AND REIMBURSEMENT OF EXPENSES AS INFORMATION TECHNOLOGY, RISK,
16 AND LEGAL SUPPORT CONSULTANTS TO THE DEBTORS FOR
THE PERIOD FROM JANUARY 29, 2019 THROUGH MAY 31, 2019**

17 KPMG LLP, (“KPMG”) as information technology, risk, and legal consultants to the above-
18 captioned debtors and debtors-in-possession (the “Debtors”), files this First Interim Fee Application
19 (the “Interim Fee Application”), pursuant to section 330 and 331 of title 11 of the United States Code
20 (the “Bankruptcy Code”), Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy
21 Rules”), and the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy
22 Court for the Northern District of California (the “Local Rules”). By this Interim Fee Application,
23 KPMG seeks the allowance of compensation for professional services performed and actual and
24 necessary expenses incurred by KPMG for the period from January 29, 2019 through and including
25 May 31, 2019 (the “Compensation Period”), in the amount of \$4,005,803.67 and respectfully
26 represents:
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Background

A. On January 29, 2019 (the “Petition Date”) each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of title 11 of the Bankruptcy Code. On February 12, 2019, the Acting United States Trustee for Region 3 appointed an official committee of unsecured creditors (the “Creditors’ Committee”).

B. By this Court’s Order Authorizing the Debtors to Retain and Employ KPMG LLP as Information Technology, Risk, and Legal Consultants Nunc Pro Tunc to January 29, 2019, dated June 11, 2019 [Docket No. 2503] (the “Retention Order”), the Debtors were authorized to compensate KPMG in accordance with the procedures set forth in section 330 and 331 of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and such other procedures as were fixed by order of the Court. A copy of the Retention Order is attached hereto as Exhibit E.

Jurisdiction

C. This court has jurisdiction over this matter under 28 U.S.C. §§ 157 and 1334. This is a core proceeding within the meaning of 28 U.S.C. §157(b)(2). Venue of this Chapter 11 case in this district is proper under 28 U.S.C. §§ 1408 and 1409.

Summary of Interim Fee Application

D. During the Compensation Period, KPMG performed the services for which it is seeking compensation on behalf of or for the Debtors and their estates and not on behalf of any committee, creditor or other person. By this Interim Fee Application, KPMG requests allowance of Interim compensation of professional fees totaling \$3,873,655.06 of necessary and actual out-of-pocket expenses in the amount of \$132,148.61.

1 **Summary of Services Rendered During the Compensation Period**

2 E. This Interim Fee Application is KPMG's First Interim Fee Application for
3 compensation and expense reimbursement filed in these chapter 11 cases. During the Compensation
4 Period, KPMG provided significant professional services to the Debtors in their efforts to navigate
5 their business through the chapter 11 process.
6

7 F. Set forth below is a summary of the significant professional services that KPMG
8 rendered to the Debtors during the Compensation Period and annexed hereto as Exhibit A is a chart
9 depicting KPMG professionals who rendered these services.

10 **Asset Management Services**

- 11 • Assisted the Debtors' with development of certain aspects of its transmission, distribution and
12 substation inspection programs.

13 **Data Security Services**

- 14 • Initial assistance to Debtors' team with the development of its Data Security program.

15 **Legal Support Services**

- 16 • Provide evidence, discovery management services and digital evidence recovery services at the
17 request of Debtors' counsel, Latham and Clarence.

18 **IT Software Services (Phase I)**

- 19 • Move the policies and configurations from the DEV to TEST environments (assuming the
20 application has a TEST environment);
21 • Create Deployment Guides for each application (or set of applications) detailing process of
migrating policies and configurations from the lower environment(s) [DEV and/or TEST] to
22 the upper environments [QA and/or PROD];
• Assist with troubleshooting Ping-related issues and/or integration activities; and
23 • Project Management Support including:
◦ Provide weekly Project status reports, detailing the current activities, issues, and risks
24 identified by the KPMG team; and
◦ Manage KPMG team members and coordinate Project tasks between KPMG and Debtors'
25 team members.
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Enterprise Project Management (“EPM”) Tools Implementation Services

- Design of a solution in Oracle Primavera Unifier and SAP PPM applications that will provide the following enterprise-level functions into the existing EPM Tools solution, while also supporting necessary Line of Business (“LOB”) process variations:
 - Integrated Change Control (“ICC”) processes;
 - Governance - Authorization/ReAuthorization (“Auth/ReAuth”) and Phase Gate Approvals, including changes to the LOB approved design; changes included updates to account for requirements; and
 - Enterprise Portfolio Planning and Management (EPPM).
- Alignment of the design to EPM Standards; and
- Enhanced business process and design updates to Debtors’ Enterprise Portfolio Planning and Management (“EPPM”) solution through Plan/Analyze and Design phases for - Auth/ReAuth, Phase Gate Approvals and Integrated Change Control (ICC) processes.

Risk Assessment Services

- Provided the Debtors with a staff member to support the Debtors’ personnel with respect to their assessments for Third Party Risk Management security initiatives: track budget; create and oversee schedules; track issues and risks; report to Debtors’ management as requested.

Retention Services

- Services included researching client bankruptcy with regards to retention; the preparation of KPMG declaration and retention order; discussions and fact finding with partners as well as the Office of General Counsel; discussions and correspondence with Debtors’ counsel related to employment application.

Fee Application Preparation

- The billing procedures required by the US Trustee Guidelines differ from KPMG’s normal billing procedures and as such, the Local Rules and the Interim Compensation Order entered in these cases have required significant effort to inform the timekeepers of their responsibilities, compile the detailed time and expenses entries, begin preparation of the detailed and summary schedules of fees and expenses incurred, and begin drafting the schedules included in the Interim fee Applications.

G. Per the Enterprise Project Management Tools Implementation Services Agreement executed on August 6, 2018, KPMG and the Debtors agreed to a fixed fee arrangement in the amount of \$2,071,852. Approximately \$716,994 of the fixed fee (the “Fixed Fee”) was paid

1 prepetition as noted in the Armstrong Declaration. KPMG is requesting the remaining amount for final
2 services provided during the Compensation Period in the amount of \$1,338,444.00¹².

3 **H.** Per the Data Security Services Agreement executed on March 20, 2019, KPMG
4 and the Debtors agreed to a Fixed Fee arrangement in the amount of \$2,705,013.50. Payment of the
5 Fixed Fee is dependent on an iterative process by which stages of the project go through a formal
6 review, including a detailed walkthrough, modifications (if required) and formal acceptance. As of
7 May 31, 2019, KPMG has provided Data Security Services, however is not requesting compensation
8 during the Compensation Period.
9

10 **I.** During the Compensation Period, KPMG billed the Debtors for non-fixed fee
11 time expended by professionals based on hourly rates ranging from \$138 to \$500 per hour. The rates
12 reflected in this Interim Fee Application for non-fixed fee services represent approximately a 29%-
13 78% discount from KPMG's standard rates. Of the aggregate time expended, 80.1 hours were
14 expended by partners and principals, 1,099.7 hours were expended by managing directors, directors
15 and associate directors, 1,499.0 hours were expended by managers, and 4,551.0 hours were expended
16 by senior associates and associates. KPMG's blended hourly rate for non-fixed fee services provided
17 during the Compensation Period is \$322.81.
18

19 **J.** In addition to Attachment B, a summary of the hours and fees incurred by
20 professional and category is annexed hereto as Exhibit A and Exhibit B, respectively, and described in
21 the filed monthly fee statements annexed hereto as Exhibit D. KPMG maintains contemporaneous
22 records of the time expended for the non-fixed fee professional services and expenses related hereto
23 performed in connection with these chapter 11 cases.
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27 ¹² KPMG has reduced the fixed fee amount by \$14,414 for a deliverable defined in the MSA Contract that was not completed by the project end date, and by a \$2,000 credit on
28 the invoices paid prior to the Petition Date.

1 **K.** The fees applied for herein are based on the usual and customary fees KPMG
2 charges to advisory services clients and are commensurate with the usual and customary rates charged
3 for services performed.

4 **L.** KPMG respectfully submits that the amounts applied for herein for professional
5 services rendered on behalf of the Debtors in these cases to date are fair and reasonable given: (a) the
6 time expended; (b) the nature and extent of the services performed at the time at which such services
7 were rendered; (c) the value of such services; and (d) the costs of comparable services other than in
8 these chapter 11 cases.

9
10 **M.** The time and labor expended by KPMG during the Compensation Period has
11 been commensurate with the size and complexity of these cases. In rendering these services, KPMG
12 has made every effort to maximize the benefit to the Debtors' estates, to work efficiently with the other
13 professionals employed in these cases, and to leverage staff appropriately in order to minimize
14 duplication of effort.

15
16 **N.** During the Compensation Period, KPMG provided a focused range of
17 professional services as requested by the Debtors. KPMG respectfully submits that these services: (a)
18 were necessary and beneficial to the successful and prompt administration of these cases; and (b) have
19 been provided in a cost efficient manner.

20 **O.** Except as set forth in the Retention Order, no promises concerning
21 compensation have been made to KPMG by any firm, person or entity.
22

23 **Summary of Actual and Necessary Expenses During the Compensation Period**

24 **P.** As set forth on Exhibit C, KPMG seeks reimbursement of actual and necessary
25 expenses incurred by KPMG during the Compensation Period in the aggregate amount of \$132,148.61.
26 These expenses are reasonable and necessary in light of the size and complexity of the Debtors' cases.
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1 Dated: July 15, 2019

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3 Respectfully submitted,

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8 _____
9 Eugene V. Armstrong
10 Principal
11 KPMG LLP
12 55 Second Street
13 Suite 1400
14 San Francisco, CA 94105
15 415 963 7301
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